RURAL MARKETING STRATEGIES FOR LIFE INSURANCE PRODUCTS— A STUDY IN DAKSHINA KANNADA DISTRICT

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ABSTRACT

Insurance may be described as a social device to reduce or eliminate risk of losses to life and property. Under the plan of insurance, a large number of people associate themselves by sharing risks attached to individuals. The risks, which can be insured against, incline fire, the perils of sea, death and accidents and burglary. Any risk contingent upon these may be insured against a premium commensurate with the risk involved.

Insurance’s value to society is enormous and irreplaceable. It provides financial protection for people who own homes or cars, which rent, business owners and their employees, and provides protection for people who suffer personal injuries or property damage at the hands of others. Insurance protects hard-earned, accumulated assets while minimizing financial risk. Insurance does this by reimbursing people and business for covered losses, encouraging accident prevention and safety-oriented practices, providing funds for investment, enabling people to borrow money, and reducing anxiety.

The studies on Life insurance industry- specific issues mainly concentrated on projecting its ability to attract different target groups to buy and own life insurance, reasons for policy lapse, prospects of insurance business, and challenges in life insurance marketing and performance appraisal of key functionaries. A few studies focusing on the marketing of life insurance argued the need for competitive strategy in insurance marketing and innovative channels of distribution to be adopted by the LIC of India and Private Insurance players. Similarly, some studies projected the views and perceptions of life insurance policyholders, addressed only peripheral issues such as major reasons for buying life insurance, insurance buying practices of specific target groups, perceived service quality and customer service expectations.

The present Study on rural marketing strategies throws lights on all vital issues of rural insurance, insurance agents and business development executives selling insurance policies. The study attempts to understand what are the strengths and weaknesses of present strategies, which in turn guide marketers to develop more effective innovative strategies. The study aimed at a thorough investigation into various marketing strategies in order to explore customer friendly and cost effective measures.

Keywords: Rural Marketing, Insurance Products, Marketing of Insurance, IRDA
1. Introduction

The basic urge in man to secure himself against any form of risk and uncertainty led to the origin of insurance. Insurance is a tool to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk. Risk is uncertainty of a financial loss. Risk must not be confused with loss itself that is the unintentional decline in or disappearance of value arising from a contingency. The function of insurance includes providing certainty, protection, risk sharing, and prevention of loss and capital formation.

Broadly insurance may be classified as life and non life insurance. Life insurance is a social net to take care of human life. The essence of life insurance is a solemn promise to pay an agreed amount of money when the policy completes its term or the policyholder dies earlier than that. Under non-life insurance (also called General Insurance); all movable and immovable properties other than sublime human life are protected against the risk of loss. General insurance has three classifications viz., Fire (dealing with all fire related risks), Marine (dealing with all transport related risks and ships) and Miscellaneous (dealing with all others like liability, fidelity, motor, crop, personal accident, etc.). Personal accident and sickness insurance, which are related to human beings, is classified as ‘non-life’ in India, but is classified as ‘life’, in many other countries. What is ‘Non-life’ in India is termed as ‘Property and Casualty’ in some other countries. It is a protection against financial loss arising on the happening of an unexpected event. Insurance companies collect premiums to provide for this protection. A loss is paid out of the premiums collected from the insuring public and the insurance companies act as trustees to the amount collected.

Insurance’s value to society is enormous and irreplaceable. It provides financial protection for people who own homes or cars, which rent, business owners and their employees, and also provides protection for people who suffer personal injuries or property damage at the hands of others. Insurance protects hard-earned, accumulated assets while minimizing financial risk. Insurance does this by reimbursing people and business for covered losses, encouraging accident prevention and safety-oriented practices, providing funds for investment, enabling people to borrow money, and reducing anxiety. Even though insurance does all these things, many people do not fully understand how insurance works or the value and security it brings to them (Sajjid Ali, Riyaz Mohammad, Masharique Ahmad, 2007).

The spread of life insurance in rural areas was poor and that has been one of the prime reason behind the reforms in this sector. The poor performance of Indian Life Insurance Industry was mentioned by the Malhotra Committee in its report and advocated for the participation of private domestic and foreign insurers in the Indian Insurance Industry. The Insurance Regulator IRDA has recommended some mandatory obligations for the new participants in the life insurance industry (DebabrataMitra&Amlan Ghosh, 2009).

According to the study conducted by The Associated Chambers of Commerce and Industry of India (ASSOCHAM), the Indian insurance sector is likely to register an unprecedented growth of 200% and attain a size of Rs. 2,000 Billion by 2020. It also predicted that the growth rate for the private sector insurance companies will be 140%, as a result of their aggressive marketing techniques as against 35-40% growth rate registered by the state-owned insurance companies (Nayak S and Vivek T R, 2006).

2. Rural Marketing of Insurance

Acceptability of the product or service is also a major challenge in rural marketing of Insurance. Therefore, insurers need to offer products that suit to the needs of rural market. There are not enough opportunities for education in rural areas. The literacy level is as low (36%) when compared to all- India average of 52%. This requires a thorough awareness campaign which adds to the overall cost of insurers (U.C Mathur, 2018). Among the key challenges in reaching potential insurance clients in small towns in India, the foremost is
building knowledgeable and competent distribution channels. Given the established role played by the individual agency force in selling insurance products, and its particular relevance in small towns, it is essential to fortify this channel with a set of new inputs.

Dynamics of rural markets differ from other market types and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. Marketers need to understand the psyche of the rural consumers and then act accordingly. Rural marketing involves more intensive personal selling efforts compared to urban marketing. Firms should refrain from designing goods and services for the urban markets and subsequently pushing them in the rural areas.

While the prospects in the rural sector are promising, the real challenge lies in distributing and delivering services cost effectively and efficiently. It is common knowledge that the cost of building exclusive delivery systems for selling insurance would be prohibitive. However valuable data are available on the existence of extensive network built by the rural development agencies, banks, cooperative institutions, NGOs, micro financing institutions, women’s SHGS, youth clubs, panchayats and some industrial houses in the rural sector. Insurance companies would therefore be well advised to harness this infrastructure and work out collaborative arrangements with these institutions to their mutual advantage. Most of the insurance companies are creating new modes of distribution channels for selling policies in rural areas. LIC has a wide network of agents, who primarily sell savings oriented policies. Though this is the oldest form of distribution network, most of the companies are averse to using this mode often, because of the view that the agents may be inefficient and expensive in some cases. They may also prove to be a burden to the company in many cases. They should be trained first before appointment, which again involves high cost to the company. Therefore, some of the private insurers have tied up with banks to sell their policies. This method is known as banc assurance where bank assumes the responsibility of life insurance distribution.

Most of the insurance policies are purchased through agents. An insurance agent is a licensed person who takes up agency from the insurance company to sell policies on commission basis. He acts as an intermediary between the insurance company and the policyholder. Agents and development officers help the individuals and the companies to select the right policy as per their needs. They plan for the financial security of the individuals, their families, their businesses and also advise them about different insurance protections. They also help the policyholders at the time of settlement of the claim. The job of the agents is quite challenging, because selling a product like an insurance policy is not easy.

3. Need For the Study

A very few survey based studies have been conducted in U.K, U.S.A, Europe, and Australia, on some views and attitude of life insurance marketers and life insurance policyholders, there is very little in Indian literature on life insurance marketing. There appears to be almost no published literature to date, on the rural marketing strategies for life insurance products. There is no comprehensive and authoritative empirical study in the field of marketing of Life Insurance Policies in India has been conducted. No comprehensive study has been undertaken in Dakshina Kannada District on the marketing strategies adopted by Life Insurance Companies and their effectiveness in the promotion of rural insurance in the District. This “Research Gap” is sought to be filled by the present study entitled “Rural Marketing Strategies for Life Insurance Products – A study in Dakshina Kannada District”. Moreover, this study would certainly be a very meaningful and relevant in the context of increasing awareness of the importance of Insurance cover among rural population and the growing competitions in insurance market. The results and discussions of this study brought out the overall marketing implications of insurers strategies, and the strengths and weaknesses of insurance companies operating in rural areas, which helps to predict future
trends in Indian life insurance market. Therefore, it is an attempt by the researcher to analyse rural marketing strategies of Life Insurance Companies in Dakshina Kannada District of Karnataka State.

4. Objectives of the Study

The main objective of the study is to know the marketing strategies adopted by insurance companies and their effectiveness in promoting insurance business at rural areas. The study aims to analyse marketing strategies adopted by public sector and private sector Insurance Companies in Dakshina Kannada District of Karnataka State. Other objectives are:

- To study the extent of insurance coverage in rural areas
- To study the awareness of rural population on the need for and availability of life insurance products
- To analyse the factors which motivates the rural population to buy life insurance products
- To determine the potential rural customer’s perceived need for acceptance of and willingness to purchase insurance policies.
- To assess the perceived level of customer satisfaction with respect of life insurance services.

5. Hypotheses

The study attempts to test the following hypotheses:

1. There is low level of consumer awareness among rural population regarding the need for and availability of insurance products.
2. Marketing strategies of life insurance companies have played less significant role in promotion of rural insurance business.
3. Insurance companies do not have life insurance product specially designed for the rural market
4. Agency services play a significant role in the promotion of life insurance business in rural areas

6. Sample and Sample Size

**Population:** Population for the purpose of Study includes policy holders of LIC of India and private life insurance companies operating in villages of Dakshina Kannada District. The Insurance agents/advisors of various insurance companies are also contacted through questionnaire to collect the data and analyse their opinion about the success in rural marketing of insurance products.

**Sampling Method:** Sample consists of insurance companies and life insurance policyholders living in rural areas of Dakshina Kannada district. The sample is selected using simple random sampling technique. Two percent of the total population is being chosen for the study which consists of equal proportion of policy holders from Life Insurance Corporation of India and Private Insurance Companies operating in Dakshina Kannada District.

7. Methodology

The study is basically empirical in nature relying heavily on Primary Data. The primary data has been collected through the “Questionnaire Method”. Primary data is collected from the insurance companies under the study and their policyholders of Dakshina Kannada district through structured questionnaire. Separate set of questionnaire is prepared for policyholders, insurance agents and insurance companies.

8. Review of Literature

Beck, Thorstenand Webb (2003) in their article “Determinants of Life Insurance Consumption Across Countries” emphasized on the importance of life insurance companies as part of the financial sector to the individuals and the economy as a whole. Life insurance provides individuals and the economy as a whole with a number of important financial services. In the face of increasing urbanization, mobility of the population and formalization of economic relationships between individual families and communities Life insurance has taken increasing importance as a way for individuals and families and communities to manage income risk. Also life
insurance encourages long term savings and the reinvestment of substantial capital. Leveraging their role as financial intermediaries, life insurance has become a key source of long term finance.

Sharma Ravi Kumar (2005) conducted a study on ‘Insurance Perspective in Competitive Market’ with the objective of probing into the reasons or the factors behind the purchase of the insurance product. It was found that 93.86% of respondents considered life insurance policies were indispensable for risk protection. Chandrasekhar(2003)in his article— "A moral way of conducting Insurance Business” examined the various risks in human life and the measures taken by people to protect themselves from these risks. He also explained how insurance minimizes the loss in the event of the happening of the risk. He also elaborated the insurance practices of various countries.

Denenberg Herb (2003), described that the Indian insurance sector scenario has transformed into a buyer’s market, where the customer has the choice to select from a variety of products, services and the service provider. More and more customers are now identifying newer dimension attached to life insurance to match their life cycle needs. Given uncertainty about life’s duration and about increasing cost and responsibilities, customer would defiantly opt for a life insurance policy, but which one, will be dependent on the competitive edge on the life insurance companies.

Jaya Prakash, S., (2005) suggested product innovation, customer service and need based market positioning as the strategy for effectiveness in Life Insurance Marketing. They conclude their studies with suggestion “The right strategic choice of a Life Insurance marketer involves the very way a company organizes itself to do business. It is the configuration of the entire value chain of the company through a different set of activities to deliver unique value to consumers. The set of activities cover all upstream and downstream activities, from the selection of the product mix, the way the products are priced, promoted, the type of distribution mechanism used, the way consumers are serviced and so on”.

9. Data Analysis And Findings Of The Study

Researcher collected primary data from life insurance customers/policyholders to analyse their perception on issues relating to marketing of life insurance in rural areas. 972 policyholders were covered under the survey. Policyholders perceptions about service delivery, agent- customer relations, and customer satisfaction in life insurance are the key areas covered under the survey. Findings of the survey of policyholders is presented below-

Women, farmers and daily wage earners are not adequately covered by the life insurance in rural areas. 38% of the total respondent policyholders were females Respondents belonging to the age group 20-30 dominate the rural life insurance market, followed by the age group 31-40 years. More than 50% life insurance customers are graduates and post graduates which show uneducated and less educated are not adequately covered in rural areas. Officials are the major constituents of rural life insurance policyholders.

Majority (60%) of life insurance policyholders are married and 50% of policyholders have not insured their spouse and 52% have not insured their children.

Around 65% of the policyholders have annual income below Rs. 1,00,000.p.a. Low income of rural population is the reason for less life insurance coverage.

Term of policies of LIC is more than term of policies of private insurance companies. In LIC, policy term varies from 10 years to 30 years. But in the case of private companies’ term of the policy is 10 to 20 years. Customers of private companies showed more preference toward short term policies.

LIC, public sector insurance company, is the most preferred life insurance company (80%) of rural customers. During the study it is also observed that the rural people have less faith in private life insurance players. Rural customers of both LIC and private companies show loyalty towards a particular agent who served them earlier. Customer loyalty
toward insurer and insurance agent can be both an opportunity as well as challenge. Insurer and insurance agents need to work sensibly to keep up customer faith and confidence.

Life Insurance customers are satisfied with the performance of the insurance companies, their products, agents support, company support, after sales service, claims settlement and grievance handling. But Policyholders wanted intensive marketing campaign by life insurance companies to create awareness in order to expand insurance coverage.

Policyholders’ perceived that existing policies are inadequate to meet the requirements of rural customers. Policies with low premium, simple procedure, high maturity value and provision of partial withdrawal of premium paid are the desired policy features of the rural customers.

Less number of life insurance policyholders (11%) encountered service problems. Service problems encountered include inadequate information by the agents and inconvenient procedure while buying policies. Customer-friendly approach by the life insurance agents was well appreciated by rural life insurance customers.

Policyholders believed that number of policyholders will increase in the future due to the increase in population, increase in awareness and increasing competition due to entry of new life insurance companies.

10. Suggestions and Conclusion

The present study revealed that there is inadequate coverage of life insurance in rural areas. Both policyholders and agents show positive attitude towards life insurance protection but not really satisfied with marketing practices and strategies adopted by life insurance companies. In fact, the life insurance policyholders and agents, by and large are fully aware of the importance of life insurance in the life of an individual but however, they are not really happy with the way in which insurance services are delivered. The study demonstrated the need for formulating effective organizational and marketing strategies that can steer the behavioral intentions of the policyholders in the right direction.

The major challenge in any service delivery process is to effectively manage the expectations of the customers than what the competitors do. The survey findings bear sufficient testimony to prove that insurance companies, both LIC and private insurers, failed to live up to the expectations of the policyholders. Further, unprecedented changes in the expectations and preferences of insurance customers on the one hand, and fierce competition in the life insurance services of large number of insurance companies operating in rural market, make the task of delighting the customers a formidable challenge to the life insurance marketers. The need of the hour is to successfully develop innovative products, adopt affordable pricing, and to utilize IT tools to render desired service to customers. Personalized services and guaranteeing more return for the money invested can contribute to customer delight. Accordingly, a thorough and complete understanding of the dynamics of life insurance business, rural market characteristics, functioning of life insurance agency and attitude of policyholders would be an imperative need to excel in the field of life insurance marketing.

The following suggestions could help life insurance companies to be successful and effective in rural marketing of life insurance:

The first priority of insurance companies should be to stimulate demand in areas that are currently not served at all. Awareness programmers should be conducted in the villages explaining the importance of life insurance and the benefits available under various life insurance schemes. It is important to educate the rural people that life insurance should be considered as a security or as a protection to the life/family. Educating the rural people may be done through organizing seminars on the need for insurance, trade fairs, visual media, film shows, door to door campaign and through mobile publicity vans.

There is low level of life insurance penetration in rural areas due to negative motivation of rural policyholders because of long delay in settlement of claims by insurers. In some cases, the
The claim settlement process took years which resulted in customer disagreement. Claim settlement is the major component of customer satisfaction in life insurance service. Therefore, Life insurance companies should simplify the claim settlement process by reducing procedural complexities. Payment of policy claim amount should be made in cash to those policy holders who do not have bank accounts. It is suggested to introduce any branch clearance of claims for customer convenience.

The policy bonds contain terms and conditions of the contract printed in national or international language which cannot be understood by majority of rural people. Therefore, it is suggested that Policy bond should be printed in regional languages. Insurance agents should educate rural customers about the safe custody of these documents which avoid inconvenience at the time of claim settlement.

Advertisement and publicity efforts of Life Insurance Companies are inadequate to generate an intended impact among the target customers. Therefore, it is suggested to focus on the introduction of integrated marketing communications and efforts in the form of door to door campaign. The word of mouth through agents/advisors is an important message carrier in rural areas. Insurance literature should be printed in local or regional languages for clear understanding to the rural customers of the matter contained in it.

Developing customized life insurance products and effective distribution of those to reach the needy are the two most important measures to be taken for the success of rural life insurance marketing. Therefore, there is a need to introduce more and more customized life insurance (individual and group) products for the lower income strata in India. To serve huge clientele in rural areas, marketers need to develop a separate set of distribution channels to reach, and serve. Though the branch expansion of the insurers has improved in the post insurance reform period it is still not enough to penetrate every corner of the country. In 2011 out of total branches of all life insurers operating in India, only 32% was from rural areas (IRDA Report 2011). Development of viable and cost effective distribution channels promotes customer faith and confidence which guarantee a high market share.

The policyholders in rural Dakshina Kannada District did not insure the lives of their spouse and children. The agents of insurance companies can put efforts to widen the rural insurance market and insurance coverage net by encouraging the existing customers to insure the lives of their spouse and children. Insurance companies should provide a rebate to the policy taken on life of spouse and children of policyholders to promote insurance coverage.

There is a need for trustworthy agents to promote insurance business. As life insurance business is people-dominated, the scientific selection, training and motivation of agency force can make a huge difference in reaching of the prospect, to sense, to serve and to satisfy the customers. Insurance companies should encourage educated youth to take up agency profession to ensure good quality service to the customers. A perfect blend of male and female life insurance agency force should be maintained by life insurance companies which can serve as a strategy to address the emerging competition meaningfully and effectively. As the piece-meal efforts and part-time agency work adversely affects quality of agency service, life insurance companies should recruit full-time agents and provide them adequate salary package.

While the life insurance sector is seeking to maintain a balance between acquiring customers and retaining existing ones, customer acquisition is vital, but customer defection is most critical to be countered. Customer focused strategies require CRM (Customer Relationship Management) to help acquire customers through various touch points and translate operational data into actionable insights for proactively serving customers. Customer’s grievances should be handled carefully and promptly. Policy holders may be encouraged to form association for satisfactory redressal of their grievances. There should be simplified and customer-friendly complaint-handling procedure.
In India, Motor Vehicle Act made it mandatory to every owner of vehicle to have motor vehicle insurance. But there are no such regulations in respect of life insurance. Therefore, in India, there is a situation ‘motor vehicle insurance is bought but life insurance is sold’. Life insurance has socio-economic benefits; as such Government should make it mandatory on rural population to buy life insurance policies of a specified sum assured. The subsidy should be given to economically backward rural people (Below Poverty Line Category) to encourage buying life insurance policy as a provision against future contingencies. Insurance companies should be generous in popularising janata policies or low premium policies.

11. Conclusion

The insurance companies operating in rural areas should strengthen their branch offices, development officers, and agents through timely support. The insurance functionaries – branch offices, development officers and agents should understand, predict and control the dynamics of pre-purchase and post-purchase behaviour of policyholders. A systematic comprehensive market survey should be undertaken to understand the dynamics of demand and supply forces in rural life insurance market. There should be efforts by the life insurance companies to attract and retain customers by developing a long lasting win-win’ relationship. Rural market has huge untapped potential which can be better utilised when insurers hold healthy competition and work with the spirit of social entrepreneurship.

In the highly competitive life insurance market, insurance companies cannot nurture the culture of complacency and arrogance through ‘over-promising and under-performing’. It is the time to realize that the success in rural life insurance market goes to those who struggle to explore the untapped potential through fair and socially acceptable marketing strategies. Drawing board approach to formulate the sales figure for rural markets is unrealistic without having understood the rural sentiments. In India the insurance business can be said to be “a marathon not a sprint”, this is because of the nature of the business being long term. As insurance companies go more and more rural in search of business there will be opportunities in the rural sector.

12. Bibliography

BOOKS: